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April 27, 2001

PRIVATE & CONFIDENTIAL

Mr. C. Connaghan, O.C.
Chair, Judicial Compensation Committee
c/o 5649 Blenheim St.
Vancouver, B.C.
V6N 1P7

Dear Mr. Connaghan:

Re: Actuarial Costing of Proposed Changes to Judges' Pension Provisions

This letter reports on the results of our actuarial costings of the changes to the B.C. provincial court judges' pension provisions that the Judicial Compensation Committee is recommending in its report to the Attorney General.

Proposed Changes

In particular, the actuarial costings on which this letter is based:

- take into account the changes that the Public Service Pension Board of Trustees is intending to make to the base plan – that is, the Public Service Pension Plan – namely:
  - improving the normal form of pension from a life pension with no minimum guarantee of pension payments to a life pension with a 10-year guarantee; and

- reducing the CPP offset in the pension formula from 0.7% to 0.65% of earnings up to the Canada Pension Plan earnings ceiling, for each year of pensionable service;

- reflect the following three recommended changes to the special provisions relating to provincial court judges' pension arrangements:

1. **For judges retiring or terminating service as a judge after January 1, 2001, the normal form of pension for a judge with a spouse at the time of retirement be a joint life and 60% survivor pension and for a judge with no spouse, a life pension with a 10-year guarantee. If a spouse is more than 10 years younger than the judge, the amount of the pension should be actuarially adjusted.**

2. **For service as a judge after January 1, 2001, the pension accrual rate be 3% per year without CPP offset and the judges' contribution rate be 7% of their full salary.**

3. **Judges be allowed to accrue a pension of up to 70% of best 3-year average salary. Those judges who have accrued less than this 70% maximum but have ceased contributing should have the option of recommencing contributions effective January 1, 2001 and continuing to contribute until they have reached the 70% maximum.**

Data and Actuarial Methods and Assumptions Used

The data on which our calculations are based is the detailed data on each provincial court judge participating in the Public Service Pension Plan as at March 31, 1999. This data is described in more detail in Section 1.3 and Appendix B of our November, 2000 Report on Actuarial Costings of Proposed Pension Improvements.

The actuarial methods and assumptions used are the same as those used to calculate compensation values for the purpose of the November, 2000 Report and are described in Sections 2.1 and 2.2 and Appendix C of that Report.

Revised Calculation of Value of Existing Pension Benefits

We have carried out a revised actuarial valuation of the provincial court judges' existing pension arrangements together with the changes described on page 1 of this letter that the Public Service Pension Board of Trustees is intending to make to the Public Service Pension Plan. The results of this valuation are as follows:

Table 1
Value of Existing Benefits

		Including Proposed Change in Normal Form of Pension and Reduction in CPP Offset	*Existing Plan (as reported in November, 2000 Report)*
Past Service cost (as at January 1, 2000)		**$54,016,000**	$51,171,000
Future service cost:	**- judges' share**	**6.15% of salaries**	6.15% of salaries
	- employer share	**16.16% of salaries**	15.18% of salaries
	- total cost	**22.31% of salaries**	21.33% of salaries

As with our November, 2000 Report, the past service costs do **not** include the value of any pension benefits that the provincial court judges have accrued under the Public Service Pension Plan in respect of their non-judicial service.

The effect of the intended changes to the Public Service Pension Plan as shown in ***Table 1*** is to reduce the incremental cost of the recommended changes to the special pension provisions for judges by $2,845,000 in respect of past service and 0.98% of salaries in respect of future service.

Value of Proposed Changes to Special Provisions for Judges

Table 2, below, shows the results of our calculation of the value of the three improvements to the special provisions relating to provincial court judges' pension arrangements that the Judicial Compensation Committee is recommending to the Attorney General.

Table 2
Value of Proposed Changes

	Past Service Cost			
Improvement	*as at January 1, 2000*	*15-year amortization as % of salaries*	*Future Service Cost (as % of salaries)*	***Total Cost (as % of salaries)***
1. 60% survivor pension	$5,063,000	2.16%	1.84%	**4.00%**
2. Elimination of CPP offset	--	--	0.99%	**0.99%**
3. 70% maximum pension	--	--	1.59%	**1.59%**

All Improvements	$5,063,000	2.16%	4.42%	**6.58%**

It should be noted that the costs of the three improvements shown in Table 2, unlike those shown in Tables 2-1 and 2-2 of our November, 2000 Report are interrelated. For example, the costs of eliminating the CPP offset is based on pensions that include the 60% survivor pension for married judges, and the cost of the 70% maximum takes into account both the 60% survivor pension and the elimination of the CPP offset for future service.

The cost of changing the normal form of pension for married judges to include a 60% surviving spouse pension is approximately one-third lower than shown in our November, 2000 Report, as a result of taking into account the Public Service Pension Board of Trustees' intention to improve the normal form of pension under the Public Service Pension Plan to a life pension with a 10-year guarantee.

It should be noted that the past service cost shown in Table 2 does **not** include the cost of extending the benefit of the 60% surviving spouse pension to any non-judicial pensionable service that the judges may have under the Public Service Pension Plan.

The cost of changing the maximum pension limit from 35 years of pensionable service to 70% of best 3-year average salary relates primarily to the 9 judges who, as of March 31, 1999, had reached the 35-year limit and stopped contributing and who, under the proposed changes, are assumed to recommence contributions and accrue additional pension benefits until they reach the proposed 70% limit. Most of this additional cost will cease once these judges reach the 70% limit.

Supplementary Costing

For the information of the Committee, we have also calculated the cost of improving the normal form of pension to a life pension with a 15-year guarantee for both married and single judges.

The past service cost of this change is $3,213,000 as at January 1, 2000 (or 1.37% of salaries if amortized over 15 years) and the future service cost is 1.11% of salaries.

Thus, the costs of changing the normal form of pension to a life pension with a 15-year guarantee for all judges are less than the costs shown in Table 2 of changing the normal form of pension for a judge with a spouse to a joint life and 60% survivor pension and for a judge with no spouse, to a life pension with a 10-year guarantee.

Funding Implications

In our opinion, the calculations shown above are the most appropriate basis for assessing the value of the recommended pension changes to the judges and their cost to the Government.

However, these calculations may not be consistent with the funding contributions that may be required by the Public Service Pension Board of Trustees in order to provide the recommended judges' pension improvements through the Public Service Pension Plan. Appendix E of our November, 2000 Report addressed the issue of funding implications under the Public Service Pension Plan.

To the extent that the Public Service Pension Plan's funding methods and assumptions are more conservative than the assumptions that we have used in calculating compensation values (which are intended to be "best estimate" assumptions), the resulting funding costs will be higher than the costs shown in Tables 1 and 2 of this letter. However, the excess, together with associated investment earnings, will ultimately be available either to finance further pension improvements (which may or may not benefit the judges) and/or to reduce future Government contributions.

If requested by the Judicial Compensation Committee, the Government or the Public Service Pension Board of Trustees, we would be pleased to calculate the funding implications of the pension changes that the Committee is recommending for the provincial court judges.

We would be pleased to discuss this information with you and the Committee or provide any further assistance that may be required.

Yours sincerely,

Donald M. Smith

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Connaghan 2001 04 27 - email

APPENDIX B

March 22, 2001

JOINT SUBMISSION

TO THE

JUDICIAL COMPENSATION COMMITTEE

On Part-time Election for Senior Judges

The following terms and conditions for a new program for part-time election for senior judges are respectfully submitted by the Office of the Chief Judge, the Provincial Court Judges Association of British Columbia and the Ministry of Attorney General.

1. Upon providing notice to the Chief Judge and to the Attorney General, a judge may elect to receive the pension to which he or she is then entitled and to continue to work as a judge, effective as of the date pension benefits commence, subject to the following terms and conditions:

   * the aforesaid notice shall be delivered not less than six months prior to the proposed effective date of receiving pension, unless a shorter notice period is approved by the Chief Judge;

   * such judge shall, in addition to any pension entitlement, receive a salary of 40% of the salary of a full-time judge, providing always that the total remuneration from salary and pension does not exceed the current salary of a full-time judge; and

   * a judge may make an election under those provisions upon attaining 55 years of age with 10 years service as a Provincial Court Judge.

2. Upon commencing receipt of pension benefits following an election under these provisions, a judge shall no longer be entitled to resume regular full-time judicial duties.

3. A judge to whom these provisions apply:

   * shall cease to hold office on the earlier of his or her attaining the age of 70, serving 5 years under the terms of these provisions, or tendering his or her resignation to the Chief Judge and the Attorney General;

   * holds office during good behaviour;

   * shall be assigned to duties by the Chief Judge, who may delegate such assignment to one or more administrative judges;

   * may be assigned to a different administrative district from that in which he or she presided at the time of election under these provisions (reimbursement for reasonable relocation expenses will be provided if the judge is required to relocate his or her residence);

   * shall be expected to travel (with reasonable travel expenses and out of pocket expenses reimbursed) as part of his or her assigned duties, as required and approved by the Chief Judge and in consultation with the judge;

   * shall serve in that capacity for one half of each year, or such lesser period in a year as is: a) agreed upon between the judge and the Chief Judge prior to December 31 of the previous year, or: b) determined on a pro rated basis to reflect the amount by which the judge's annual salary must be reduced in order to ensure the judge's total annual remuneration from salary and pension does not exceed the salary of a full-time judge;

   * shall be entitled to the same annual vacation leave as a full-time judge on a pro rated basis;

   * shall receive sick leave benefits as provided by the Office of the Chief Judge sick leave plan on a pro rated basis;

   * shall receive all pension benefits, including medical, extended medical, and dental; and shall, in addition, continue to be covered under a group life insurance policy;

   * shall receive long term disability protection through the Office of the Chief Judge;

* shall not be entitled to any further accrual of pension entitlement after the date on which he or she commences receipt of pension benefits, nor shall he or she be required to make any further pension contributions;

* shall not be entitled to maintain an office, nor to the use of office equipment, except as may be available from time to time by the Chief Judge or delegate;

* shall continue to be provided with a professional allowance in the same amount and manners a full-time judge; and

* shall be provided with secretarial assistance from the administrative district in which the need for assistance arises, or such other assistance as arranged by the Chief Judge.

4. A judge to whom these provisions apply shall be subject to the same rights, duties and obligations applicable to a full-time judge under the *Provincial Court Act* and, without limiting the generality of the foregoing, shall:

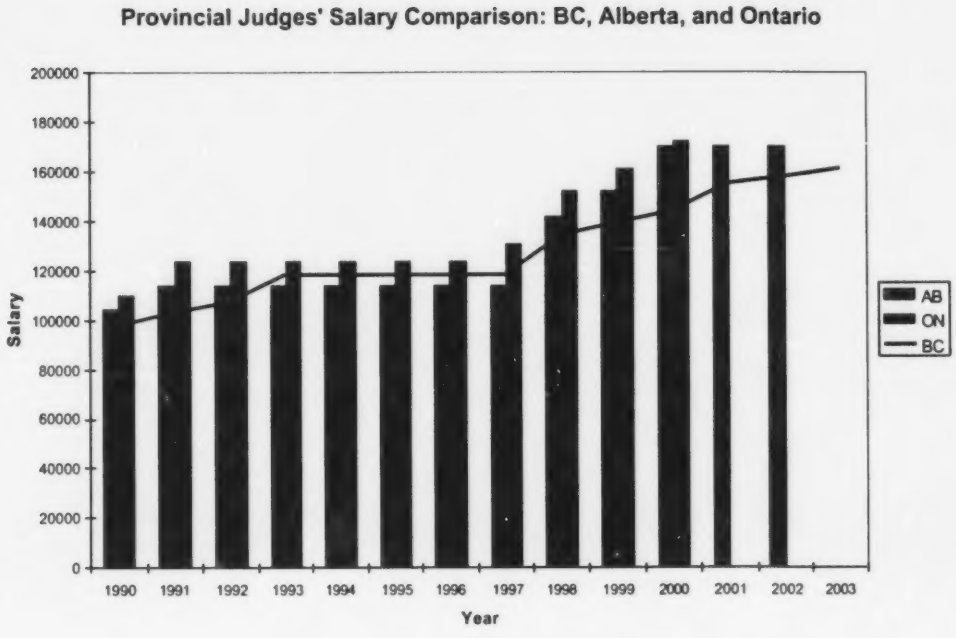
   * devote his/herself exclusively to judicial duties;

   * shall be available for re-assignment to other duties pursuant to section 14 (2) of the *Provincial Court Act*; and

   * shall exercise the power granted to judges ceasing to hold office under section 18 of the *Provincial Court Act*.

APPENDIX C

Tables



BC Provincial Court Judges' Salaries, 1990-2000

Year	BC
1990	98,000
1991	103,000
1992	107,000
1993	118,402
1994	118,402
1995	118,402
1996	118,402
1997	118,402
1998	134,000
1999	139,000
2000	144,000

APPENDIX C Continued

Number of Applicants to the Provincial Court, 1995-2000

Year	**Total number of applicants**
1995	44
1996	63
1997	48
1998	70
1999	63
2000	52
TOTAL all years	**340**
TOTAL appointed from this group	**32**

APPENDIX D

JUDICIARY INJURY REIMBURSEMENT PROGRAM

Where a judge has suffered a loss arising out of an accident and where such accident has arisen while carrying out the duties of their position, the Ministry of Attorney General will provide reimbursement of eligible expenses.

The following items are eligible expenses only when incurred directly as a result of an accident occurring while carrying out the duties of the position. Only those expenses incurred as a result of necessary treatment of a bodily injury and where applicable, when ordered by a physician and/or surgeon will be reimbursed.

DRUGS AND MEDICINES

Reimbursement for drugs and medicines is based on Pharmacare's policies including reference based pricing, and lowest cost alternative. For drugs and medicine not covered by Pharmacare, reimbursement will be based on the generic product, where available.

Reimbursement will be provided for only those drugs and medicines purchased from a duly licensed pharmacy on the prescription of a licensed medical or dental practitioner.

Reimbursement will be provided for injectables provided by a medical practitioner, drugs used by a medical practitioner when providing services under circumstances where the drug is not otherwise provided, and certain supplies required for administration of a drug.

EMERGENCY AMBULANCE SERVICE

In an emergency situation requiring immediate transportation, reimbursement will be provided for the cost of a local ambulance or transportation by railroad, boat or airplane to the nearest acute care hospital.

Reimbursement will be provided for the cost of transportation by air-ambulance from the place where the accident occurs to the nearest acute care hospital and return

fare, including the round trip fare for one attending person (doctor, nurse, first-aid attendant), where required.

PRIVATE NURSE (IN HOSPITAL)

Reimbursement will be provided for fees of a registered nurse, who is not related to the injured person by blood or marriage (legal or common-law), for special duty nursing acute cases while registered as a bed patient in a public general hospital. Such attendants must be recommended by a duly qualified physician or surgeon. The nurse providing the service must not be an employee of the hospital in which the special nursing services are performed.

PHYSIOTHERAPIST AND MASSAGE PRACTITIONERS

Reimbursement will be provided for the user fee and service cost in excess of those fees or costs covered by Medical Services plan of a member of the Association of Physiotherapists and Massage Practitioners of British Columbia.

PODIATRIST

Reimbursement will be provided for podiatrist user fees, in excess of those fees or costs covered by Medical Services Plan only. Any other special fees or charges will not be reimbursed.

OUT OF PROVINCE EMERGENCIES

In the event an accident occurs outside of British Columbia, you will be reimbursed for charges for a physician's services less any amount paid or payable by the Medical Services Plan.

Reimbursement will also be provided in the event of an accident occurring outside of British Columbia for hospital room and care charges incurred less any amount paid or payable by the Medical Services Plan. This includes private or semi-private rooms and/or short stay charges as well as hospital co-insurance.

CRUTCHES AND OTHER MISCELLANEOUS FEES

Reimbursement will be provided for oxygen, blood or blood plasma, artificial limbs or eye, crutches, walkers, splints, casts, trusses or braces.

Reimbursement will be provided for orthopedic shoes, orthodic devices and modifications to stock item footwear (not including arch supports) when prescribed by an orthopedic surgeon for the proper management of post traumatic foot problems.

THERAPEUTIC EQUIPMENT

Reimbursement will be proved for the cost of renting, or where more economical, the purchase of equipment for therapeutic treatment, including wheelchairs and standard hospital beds. Pre-authorization is recommended for items costing over $1,000.

ACCIDENTAL INJURY TO NATURAL TEETH

An injury is deemed to be accidental only I caused by a direct blow to the external mouth.

Reimbursement, in excess of any amounts payable by a dental plan or third party, will be provided for repairs to natural teeth, if an accidental injury is caused to natural teeth by extra-oral means, but only if you have treatment within one year of the date of the accident.

HOSPITAL CHARGES

Reimbursement will be provided for hospital stay user fees for a standard room or the charges for a private or semi-private hospital room exclusive of any charges for telephone, TV or other amenities.

REGISTERED CLINICAL PSYCHOLOGIST

Reimbursement will be provided for the service cost of a registered clinical psychologist providing that the services are required directly as the result of a covered accident.

EYEGLASSES OR CONTACT LENSES

Reimbursement will be provided for loss or damage to prescription lenses, frames for prescription lenses or prescription contact lenses, but only when prescribed and/or supplied by an optometrist or when ordered by a physician or surgeon.

HEARING AIDS

Loss or damage to hearing aids as a result of an accident will be reimbursed.

HAIRPIECES

Loss or damage to hairpieces as a result of an accident will be reimbursed.

BREAST PROSTHETICS

Loss or damage to breast prosthetics as a result of an accident will be reimbursed.

EXPENSES NOT REIMBURSABLE

* Expenses recoverable under a policy of insurance or from a responsible third party.

* Expenses incurred due to treatment for diseases, conditions or injuries for which care, benefits or service are provided by or under the Medical Services Plan, Hospital Insurance Plan or Pharmacare, or for which care, benefits or services are provided without cost at a normal cost by public authorities.

* Expenses for acupuncture treatment.
* Expenses of a physician or surgeon except for limited expenses for emergency treatment where an accident has occurred outside of British Columbia.
* Expenses incurred due to war (declared or undeclared) or an act of war or participation in a riot or civil resurrection.
* Expenses incurred for orthodontic treatment, refraction's, or prescriptions for any of them.
* Expenses incurred due to dental services, except as a result of an accident.
* Any portion of a specialist's fee not allowable under the Medical Service Plan due to non-referral, or any amount of fees charged by any practitioner in excess of the recognized fees for such service.
* X-rays taken by a podiatrist or chiropractor.
* Expenses incurred due to services for cosmetic purposes.
* Expenses incurred outside of British Columbia on an elective basis.
* Expenses contributed to or caused by occupational disabilities.
* Expenses for any services performed by any person who is related to or residing with the injured party.

MAKING A CLAIM

Forward all receipts or invoices along with a general incident and loss report signed by: **Director, Judicial Administration** to **Senior Financial Officer, Finance & Administration Division**.

The Ministry of Attorney General retains the right to obtain medical reports confirming the requirement for services where reimbursement is being claimed.

DEFINITIONS:

accident includes a willful and intentional act, not being the act of the judge, and also includes a fortuitous event occasioned by a physical or natural causes, resulting in bodily injury.

duties of their position means those duties the judges are appointed to carry out and will not include travelling to and from home to their usual place of work.

bodily injury means harm or damage to the health of a judge, caused by an accident, which arises in the course of and out of his employment and incapacitates him, in whole or in part. Such includes the aggravation of a pre-existing injury.

DISPUTE

Where the Ministry and the judge are not able to agree on reimbursement the dispute will be settled by an independent arbitrator agreed upon by the parties or in the absence of agreed upon arbitrator, a person chosen by two nominees, each nominee to be chosen by one of the parties. Cost of such arbitrator shall be borne by the Ministry.

In witness whereof the parties hereto have duly executed this agreement.

Original signed March 28, 2001 by the following:

The Honourable Chief Judge C.C. Baird Ellan
Provincial Court of British Columbia

The Honourable Judge R.A. Higinbotham
President, Provincial Court Judges' Association

Ms. Gillian Wallace, Q.C.
Deputy Minister, Ministry of Attorney General